

ROUTING

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday March 3, 1977

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National Intelligence Daily Cable for Thursday, March 3, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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RHODESIA: Maneuvering

25X1 [] Legislation proposed by Rhodesian Prime Minister Smith to repeal some racial discrimination measures may be defeated by the parliament. A vote on the bill is likely on Friday, and a two-thirds majority of the full 66-member legislature is necessary for approval. Twelve right-wing legislators from Smith's ruling party have indicated their opposition, and 13 blacks who say the measures do not go far enough have announced that they will abstain.

25X1 [] The legislation includes a provision that would open up to non-whites most of the land in the half of Rhodesia's total area now reserved for whites. Smith proposed the measures as part of his effort to begin new settlement talks with "moderate" blacks.

25X1 [] In a session of parliament yesterday, former defense minister Cowper announced that he was withdrawing his support from the government. Cowper, who resigned his post last month during a controversy over increased callups of civilians for military duty, accused Smith of indecision and of adopting watered-down measures.

25X1 [] Although legislative setbacks and open criticism of Smith from members of his party are unusual, it seems unlikely that the rightwingers will seek to oust Smith from his position. No other white political figure seems to have sufficient stature to pose a serious challenge to the Prime Minister.



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SOUTH AMERICA: Resentment of US

[] US policies on human rights and nuclear proliferation are arousing deep resentment in southern South America. The US stance on these issues seems certain to add to the already pronounced tendency of Argentina, Uruguay, Chile, and to some extent Brazil to draw closer together because of their common problems and perceptions of the outside world.

[] //The US decision to reduce aid to Argentina and Uruguay because of human rights abuses has drawn an angry reaction in both Buenos Aires and Montevideo. Both governments announced their intention to refuse the lower levels of aid still

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available to them. Uruguay termed the US move unjustified interference in its internal affairs; both Argentina and Uruguay said the action could aid the cause of subversion.//

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[] //Brazil, already smarting over US efforts to limit its access to foreign nuclear technology, is taking a dim view of the cuts in aid to its neighbors. Though not directly affected, the Brazilians undoubtedly see the reductions as another example of US "intrusion" in the area's affairs.//

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[] //Brazil's military-backed government, moreover, may well believe that it too could come in for serious US pressure on human rights. []

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[] US efforts to influence the Brazilians on the nuclear issue also are having an unsettling effect in Argentina. Instead of applauding a move that could conceivably arrest the nuclear progress of their traditional Brazilian rivals, the Argentines are expressing solidarity with Brazil. The Argentines obviously realize that their own imports of nuclear equipment could make them susceptible to similar pressures.

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[] Argentina may see in the present situation an opportunity to rebuild its regional influence by capitalizing on resentment of US efforts. In addition to expressing solidarity with the Brazilians, Argentina is quietly suggesting itself as an alternative source of nuclear know-how and natural uranium for the region. Argentina's nuclear technology, though limited by world standards, is the most advanced in the region and its uranium is plentiful.

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[] The Argentines are also reviving earlier proposals for nuclear cooperation with Brazil and Chile, with Argentina playing a central role. The idea may be hard for the Brazilians to accept, but the Argentines seem serious about exploring it.

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[] The sense of physical isolation from most of the world that has always existed in southern South American has been accentuated in recent years by the growing distaste in the US and in some European countries for the kinds of governments that hold sway in the region. The latest US actions will increase this sense of isolation.

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[redacted] All the countries of the area are administered by conservative regimes that are run or dominated by the countries' military establishments. Most of the regimes came into being in response to real or perceived threats from the left, and all justify their methods by citing a continuing threat from communism.

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[redacted] The leaders of these countries believe they are being abandoned by the US, the country that had frequently warned them in the past of the dangers of communism. [redacted]

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UK: Delays Direct Elections

//The British government decided last week to delay for three months the introduction of legislation on direct elections to the European Parliament. The decision reflects the growing weakness of the Callaghan government in Parliament and the fears of Labor Party leaders that the issue will further aggravate divisions within the party.//

//The cabinet, strongly divided over this issue, agreed last week only to issue a white paper next month that will outline various procedural options for the elections. Although a cabinet spokesman reaffirmed the government's pledge to "use its best endeavors" to meet the spring 1978 target date set by the European Community for the elections, the Labor government's failure to move quickly on this issue could seriously undermine chances for meeting the deadline.//

//The eight other EC members expect no problems in ratifying direct elections bills and passing the necessary implementing legislation. They, as well as the EC Commission, are likely to bring substantial pressure on the UK to act in time.//

//The decision to issue the white paper should delay a final vote on the direct elections bill at least until late summer. As a constitutional issue, the bill must be debated by the House of Commons sitting as a committee, thus making the measure particularly vulnerable to filibuster. The House of Lords also could extensively revise the bill.//

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//Additionally, Conservative Party spokesmen, in pushing for early action, have pointed out that boundaries must be set for the 81 election districts following passage of the bill, and that this will probably take several more months.//

//Although the government can probably count on enough Conservative and Liberal votes to assure passage of the bill, Labor Party leaders are afraid that raising the issue now could provoke a major split in their party. Six cabinet ministers are on record as vigorously opposing direct elections to the European Parliament, and the issue is likely to revive substantial anti-EC feelings among Labor backbenchers in Parliament. The Labor Party conference also came out strongly against direct elections last year.//

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25X1 [REDACTED] If the British retain their usual election system in choosing representatives to the European Parliament, the Conservative Party would probably win a disproportionate majority of the UK's 81 seats.//

25X1 //The number of Labor seats would be greater under a proportional representation system, but adoption of such a system would only reinforce pressures from the Liberals and some minor parties for the use of a similar scheme in elections to the House of Commons. [REDACTED]

CUBA: Trade Relations

25X1 [REDACTED] //In the first full year of trade since the lifting of US restrictions, Cuban purchases from the subsidiaries abroad of US companies reached \$213 million in 1976. Trade might have been even higher if there had not been a severe hard-currency crunch in Cuba in the second half of the year. More than two thirds of the trade was with US subsidiaries in Canada, Argentina, and the UK.//

25X1 [REDACTED] //Cuban purchases from US subsidiaries last year were equal to 17 percent of estimated Cuban imports from the

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West. About three fifths was grain and the rest was manufactured goods. US subsidiaries purchased \$2.2 million in goods from Cuba, mostly tobacco and molasses.//

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[] //Cuba can now obtain most US products it wants from US subsidiaries abroad. The Cubans continue, however, to talk to US parent companies about trade possibilities if US-Cuban commercial relations are normalized. Discussions have been held with at least 17 US companies in the past 18 months.//

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[] //The Cubans apparently are trying to soften American business support for the US embargo and open the US market to Cuban sugar. Cuba plans a major expansion in sugar production during the next several years. []

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EAST GERMANY: New Berlin Toll

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[] East Germany this month has begun charging a "street usage fee" of about \$4.20 for nearly all automobiles that enter East Berlin from West Berlin. The fee nearly doubles the cost of a trip through the wall. Allied vehicles are not affected by the East German measure.

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[] An East German official defended the measure by noting that his country imposes a similar fee on all other travelers to East Germany. He said it would be "inconsistent with East Germany's sovereignty and the status of its capital city" if visitors to East Berlin continued to be exempt. The official also declared that the step is not meant to "increase tensions."

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[] This action is the latest in a series of East German attempts since the beginning of the year to erode the special status of East Berlin, over which the East Germans have long claimed full and exclusive sovereignty. East Germany is also seeking to curtail Western contacts with its citizens, although it is not yet clear whether the higher fee will cut down significantly on traffic to East Berlin.

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[] The East Germans will earn additional hard currency--always in short supply in their country. The amount of hard currency that they will probably take in (about \$2.5 million) suggests, however, that economic considerations were not a primary factor in the decision.

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[redacted] West German and West Berlin politicians have publicly criticized the East German move, but Chancellor Schmidt's government is letting the three Western allies take the lead in remonstrating to Moscow. There are reports that West Germany is planning to implement a vehicle tax reform for the purpose of justifying a tax on East German trucks using West German highways. [redacted]

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SWEDEN: Split in Communist Party

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[REDACTED] A formal split is looming in the Left Party Communist, Sweden's principal communist party. The split could prevent the party from retaining representation in parliament in the 1979 election. This would be a setback for the opposition Social Democrats, who formerly could depend on Communist support for a Social Democratic government. The split in Communist ranks may also make it more difficult for the Social Democrats to return to power.

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[REDACTED] Dissident pro-Moscow factions of the communist party in several parts of Sweden announced on Monday that they were forming a new organization called the Swedish Workers Party. Other district organizations will meet later this week to decide whether they will join the splinter group or remain with the moderate party leadership, which is independent of Moscow and advocates cooperation with the Social Democrats.

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[REDACTED] We do not know the extent of support for the dissident group within individual districts, but reportedly as much as a third of the party's strength could be sapped. The party now has 17 seats in the 349-member parliament.

[REDACTED] The party's political significance in Sweden has hinged on its ability to get the minimum 4 percent of the vote required for representation in parliament and to provide an informal majority for past Social Democratic governments. The party's support has generally hovered around 4.5 percent, and there is not much room for maneuver. Should the split become definite, Sweden could have four separate communist parties, and none would have much chance of winning representation in parliament in the next election. [REDACTED]

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WORLD TIN: Producer-Consumer Meeting

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[] The International Tin Council--representing 25 countries and about 90 percent of world tin production and consumption--is meeting in London this week to discuss Bolivia's objections to the present tin agreement. Bolivia, the world's second-largest tin exporter after Malaysia, has threatened to withhold its support for full ratification. Unless ratified by La Paz, the Fifth Tin Agreement, currently under a one-year provisional status, will expire on June 30, 1977.

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[] Bolivia's principal complaint is that existing floor and ceiling price ranges, established late last year by the council as guidelines for world tin prices, are too low. Bolivia, which is the highest cost tin producer, contends that the floor price of \$3.16 per pound does not cover its costs of \$3.57 per pound. Consumers point out that Bolivia, like other producers, pads its costs with export duties, royalties, and other payments to the government. If these payments are excluded, Bolivian costs are about 7 percent below the floor price.

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[] With tin prices now at record levels and tin in short supply, the Bolivians apparently feel they are in a strong position to push for higher floor and ceiling prices and a more regularized system of future price changes, including a form of indexation. The US and some other consumer countries have objected to price changes and indexation.

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[] At the same time, the Bolivians have a major stake in the continuation of the agreement because of the protection it affords their high-cost industry. Only once during the 20-year history of the agreement have tin prices fallen below the floor level; on numerous occasions they have been above the ceiling. The agreement thus has benefited Bolivia and other tin producers more than consumers. Bolivia also is more dependent on tin than other producers; in 1976, tin accounted for 40 percent of the country's export earnings.

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[] We expect that Bolivia will reach some kind of accommodation that will permit the tin agreement to continue beyond the June 30 deadline. Malaysia and other major producers have

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been working behind the scenes to overcome Bolivia's objections. Officials of the UN Conference on Trade and Development also have an interest in preserving the tin agreement--long regarded as the model for other producer-consumer commodity pacts.

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